MEDIA REFORM COALITION

May 2022

DCMS WHITE PAPER POLICY BRIEFING

Summary

This briefing examines the Department for Digital, Culture, Media and Sport's recent White Paper on the future of the broadcasting sector[1]. Our headline findings are:

- The proposed revisions to the remit and regulatory frameworks for PSB are inadequate, and do not capture the full range of benefits that the public expects from the UK's PSB ecology
- Proposals to update the prominence framework for PSBs on Video-on-demand services are welcome but will achieve little in the context of the government's broader attacks on the sector
- Plans for a new voluntary Video-on-demand Code are too light-touch and will create a two-tiered system in broadcasting regulation
- The decision to privatise Channel 4 runs counter to the best available evidence and has no democratic mandate
- The BBC licence fee settlement and mid-term Charter review demonstrate direct interference by government and reveal the urgent need for measures to safeguard the BBC's independence

[1] DCMS, Up Next: The Government's vision for the broadcasting sector, April 2022 CP 271.

Introduction

The government's proposed reforms in the DCMS White Paper represent a concerted ideological attack on public service media in the UK, built on spurious evidence and undertaken entirely without meaningful democratic process. The policy programme set out in the White Paper would further commercialise the UK's broadcasting sector, expose public media organisations to greater political interference, and diminish the range and quality of content made for UK audiences.

In this briefing we explore the White Paper and set out our alternative recommendations for a more democratic policy platform that truly serves the public interest in an evolving media landscape. Our analysis brings together evidence and proposals from recent MRC publications, including three flagship research reports:

- The Manifesto for a People's Media, published as part of our 'BBC and Beyond' project, outlining proposals for a more democratic, independent and accountable media commons[2].
- The Media Influence Matrix report, exploring the influence of shifts in policy, funding and technology on contemporary journalism in the UK[3].
- The Who Owns the UK Media? report, analysing the concentration of ownership across newspapers, broadcasters, online journalism and social media[4].

Public service broadcasting

At the centre of the White Paper is the government's plan for a new remit and regulatory framework for public service broadcasting (PSB) in the UK, designed to fit with "the latest trends and developments in the sector". The current purposes and objectives[5] will be replaced with a shorter 'streamlined' remit, focussed on three types of content that "would make us poorer as a nation" if not provided – culturally relevant content, economically important content, and democratically impactful content.

Although these qualities are an important part of what distinguishes public media from the market, they do not on their own capture the full range of benefits that the public values and

[2] https://bbcandbeyond.net/#manifesto
[3] https://www.mediareform.org.uk/blog/uk-media-influence-matrix-final-report
[4]https://www.mediareform.org.uk/media-ownership/who-owns-the-uk-media
[5] Defined in the Communications Act 2003 s. 264.

expects from the UK's unique PSB ecology. Under the half-baked rationale of ditching "outdated", "overlapping" principles, the White Paper seeks to dilute the role of PSBs to a narrow set of services while reducing (or potentially even preventing) the provision of universal public service content across socially and culturally significant genres. Unlike the existing purposes set out in 2003, the new remit does not include any mention of requiring the broad provision of services for children, programming on arts, sciences and religion, or educational content – genres that are consistently viewed by the public as unique benefits of PSB[*6*]. Also completely absent from the White Paper is any recognition of the importance of universality; serving the needs and interests of all audiences, not just the largest or most commercially profitable, including through offering 'popular' content in drama, comedy and music.

The closest the government comes to admitting any additional social or cultural value of PSB is in its ambiguous proposal for "embedding the importance of distinctively British content" into the PSB quota system. UK PSBs produce a substantial amount of content made in and about the UK, while content from streaming services like Netflix and Amazon is often culturally homogenous and aimed at a global audience[*7*]. Despite one minister's attempts to insist that such quotas would not mean "waving union flags and a picture of the Queen in every scene"[*8*], regulating "distinctively" British content in this way would be highly susceptible to partial, unrepresentative definitions, more likely to favour the lives and experiences of the politicians making these rules than the audiences they are intended for. 'British values' should not be issued as a government checklist but discussed across a variety of creative formats and genres that actively include the full range of voices and stories of all British audiences.

The White Paper features a handful of welcome, if long overdue, proposals for expanding the public benefits of PSB: updating the 'prominence' framework for how PSBs are displayed and accessed on Smart TVs or streaming devices[*9*], and guaranteeing broadcasts of listed sporting events as a PSB-specific benefit. A review of contestable funding could highlight new sources for additional PSB content, yet as the government's premature closure of the Young Audiences Content Fund[*10*] shows, income for these schemes must be independent, sustainable and sourced properly – not top-sliced out of funding for other PSB services, nor used as substitutes for broadcasters' existing content quotas. The forthcoming renewal of broadcasting licences for ITV and Channel 5 offers an ideal opportunity to strengthen commercial PSBs' content quotas, especially in key genres like children's programming and news, following years of quota relaxation by Ofcom[*11*].

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[6] Jigsaw and Ofcom, An exploration of people's relationship with PSB, July 2020; Ofcom, Public Service Omnibus survey findings, July 2020.
[7] Ofcom, Media Nations: UK 2021, p.68; Enders Analysis, Outsourcing culture: When British shows aren't 'British'.
[8] John Whittingdale MP speech to RTS Cambridge Convention 2021.
[9] As recommended by Ofcom in 2019.
[10] See Children's Media Foundation statement.
[11] Steemers, J. (2017) Public service broadcasting, children's television and market failure in Journal of Media Management 19(4):298-314.

In the rush to 'modernise' UK media regulation and give PSBs "greater flexibility in delivering remits", there is also a real danger that broadcasters will prioritise providing more content via cheaper online or digital formats while reducing provision on linear TV and radio services. Live TV and radio remain the most popular means for accessing audiovisual content on a daily basis, while the availability of reliable high-speed internet is still limited by stalled regional roll-outs and endemic socio-economic divides[*12*]. It is vital that PSB content remains widely available on free-to-air formats, and that PSBs are required to provide universal services across the whole range of formats and platforms used by all UK audiences.

Ultimately, however, these peripheral changes will achieve little against the government's creeping deconstruction of the funding and structures of public media. With a significantly diminished public service remit, a privatised Channel 4 and a funding-starved BBC, it is difficult to imagine how the UK's PSB ecology will fulfil even the meagre goals of the White Paper, let alone meet the real needs and expectations of the public.

The UK broadcasting ecology

As part of its wider reforms to the UK broadcasting sector, the White Paper proposes legislation for "a new Video-on-demand Code, similar to the Broadcasting Code, to ensure TV-like content, no matter how audiences choose to watch it, will be subject to similar standards". This is an important first step in building a level playing field between traditional broadcasters and streaming platforms, meaning audiences continue to benefit from the UK's high standards for production quality and the protection of civil rights in audio-visual content.

The voluntary 'light touch' regime detailed in the White Paper will, however, achieve little more than creating a two-tiered system in broadcasting regulation. The public will not have any meaningful recourse for complaints made against on-demand content, while large platforms like Netflix and Amazon are likely to continue to wave away attempts at accountability – unlike currently regulated UK broadcasters who risk fines or even forfeited licences. This highlights the deeper structural problems arising from global streaming services, which are used by and profit from large UK audiences yet are unregulated and not required to make any contributions to UK society and culture. The government appears to have quietly dropped its plans to require streaming services share top-line viewing data, and the White Paper says nothing of making these companies pay their fair share of tax[*13*]. A truly level playing field would involve subjecting on-demand platforms to the same obligations as all large UK broadcasters, and

[12] Ofcom, Media Nations: UK 2021, pgs. 6 & 78; Ofcom, Online Nation: 2021 Report, p. 15.
[13] See DCMS response to Commons Digital, Culture, Media & Sport Committee report on the future of public service broadcasting, June 2021. p. 7; in 2020 Netflix paid just £4m in UK tax on the back of £1.15bn in UK revenue.

levying the profits of these companies to fund additional public service content for UK audiences.

The White Paper's proposed reforms to commercial and community radio are also a major cause for concern. Under the guise of creating "a more flexible regulatory regime that is fit for the modern age", the government is proposing to "remove outdated character of service requirements" for commercial radio. This would allow stations to shift production away from local centres and focus on providing more commercialised, less distinctive content to attract greater advertising revenues. The plan for progressing with a total analogue switch-off from 2030 onwards, regardless of consumer demand or producer needs, also risks depriving some audiences (particularly those in isolated locales or without access to digital-capable devices) of access to reliable community FM/AM services. Furthermore, the White Paper's plans to deregulate advertising restrictions on community radio would fatally undermine the distinctive and established character of these services, effectively forcing them to monetise more of their content for commercial purposes. As the Better Media campaign group has argued, "these proposals will lead to an eroding of the fundamental founding principles of community radio, such as commitment to significant social gain, training, access and participation in the media production process"[*14*].

The privatisation of Channel 4

The White Paper proves beyond doubt that the government's decision to privatise Channel 4 is not driven by any strength of evidence or public demand but is wholly motivated by ideology and political spite. Ministers have blithely ignored the weight and volume of public and industry opposition to its plans, with 96% of the nearly 56,000 consultation responses rejecting the government's lacklustre arguments for the sale[*15*]. The attempts to dismiss the views of tens of thousands of people as mere 'cut-and-paste' responses reveals the all-too-often shambolic and undemocratic nature of these exercises. Instead of truly engaging with the public, broadcasters and stakeholders on pivotal questions about the future of public media, the Channel 4 consultation shows that this government is only willing to listen to the public if it is saying what they already want to hear.

As we have argued in our consultation submission[*16*], a publicly-owned Channel 4 (with a strengthened PSB remit) is the best option for delivering diverse and innovative programming, boosting the UK's world-leading production sector and seizing opportunities in the emerging

[14] https://bettermedia.uk/
[15] See DCMS, Government response to the consultation on a potential change of ownership of Channel 4 Television Corporation, April 2022.
[16] Media Reform Coalition response to the DCMS consultation.

global media market. A privately-owned wholly for-profit Channel 4, on the other hand, would offer a reduced range of public service content for UK audiences, strip back its investment in independent producers, and contribute far less to the creative industries in the nations and regions.

Recent analysis from Channel 4 and EY sketches the reality of privatisation: £3bn less of 'gross value added' economic activity and up to 3,000 fewer jobs supported in the creative economy, with the bulk of these losses landing in the nations and regions[*17*]. Enders Analysis has further estimated that the long-term economic cut in the sector caused by privatising Channel 4 would swallow up the one-time windfall of the sale within 5 to 12 years[*18*].

The few arguments offered in the White Paper and its accompanying 'decision rationale'[*19*] do not stand up to basic scrutiny and show that the government has not found any new or compelling evidence to justify taking Channel 4 out of public ownership. It falsely claims that Channel 4's founding mission in 1982 was "providing greater choice for audiences" and that, with the market now swamped with channels and online services, public ownership is counter-productive. Privatisation would not only undermine the delivery of Channel 4's actual founding purpose – creating alternative, innovative content and serving underrepresented audiences – but also lessen choice for audiences, with a private owner prioritising low risk, homogenous content to increase its profits[*20*]. Despite insisting that Channel 4 will retain its core PSB duties as part of a sale, the White Paper does not suggest that the government will seek any guarantees or legal undertakings to prevent a private owner from diluting these obligations at a later date. The long-term sustainability of Channel 4's PSB contributions will rest solely on the assumed good will of a new profit-driven owner to maintain these commercially undesirable commitments[*21*].

The removal of Channel 4's publisher-broadcaster status marks another glaring contradiction in the government's plans for privatisation. Despite expecting Channel 4 to "continue working with independent production companies right across the UK", a new owner would be free to expand its own in-house production business at the expense of commissioning opportunities for UK indies. Pact, the independent producers' trade association, estimates that the sector would lose £3.7bn over a decade if Channel 4 became a 'producer-broadcaster', creating "a direct transfer of value from hundreds of small SMEs and creative entrepreneurs to private shareholders"[*22*].

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[17] Channel 4, 4: The Next Episode, May 2022, p. 9.
[18] Enders Analysis, Channel 4: Pressing on with privatisation, April 2022.
[19] DCMS, Decision rationale and sale impact analysis for a change of ownership of Channel 4, April 2022.
[20] EY, Assessing the impact of a change of ownership of Channel 4, September 2021.
[21] There is ample precedent of commercial UK PSBs persistently lobbying to have their quotas relaxed or removed, resulting in drastic reductions in provision of key genres such as children's programming. See Ofcom, PSB Annual Report annex 1: PSB spend and output, p. 29.
[22] John McVey, evidence to the Lords Communications and Digital Committee, 7 September 2021 p. 9.

The government's excuse is that Channel 4 provides a smaller share of production sector revenues than other broadcasters, and that improving its access to capital through privatisation "may result in increased investment". This combination of selective statistics and wishful thinking epitomises the paucity of evidence throughout the White Paper. As a share of its total income Channel 4 offers almost double the 'bang for its buck' in independent commissioning value than larger UK PSBs (23% vs. 10% for the BBC and 13% for ITV)[23], and Channel 4's supply base is far more diverse than commercial PSBs with their own in-house production studios[24]. The real threat to the UK's independent production sector is not Channel 4's access to capital, but the unchecked concentration of sector revenues into a handful of dominant companies, with the top 5% of producers accounting for 34% of total turnover[25]. It is difficult to imagine that a privately-owned Channel 4, without its current publisher-broadcaster requirement, would increase its commissioning spend on SME producers in the nations and regions rather than seek to grow the commercial profile of its own in-house production business[26].

Channel 4 is by no means perfect and requires significant reforms to revitalise its unique role in the UK media landscape, such as: a strengthened public service remit for innovation, creativity and serving minority audiences; new requirements to prioritise local SME producers over super-indies; and transforming Channel 4 into an advertising-free platform funded by a cross-platform levy[27]. But instead of considering a range of policy options to improve Channel 4's sustainability as a publicly owned broadcaster, the government is fixated on only one policy – privatisation – which will cause considerable damage to the channel and the UK's media ecology on which the British public rely.

BBC funding and the mid-term Charter review

The recent TV licence fee settlement is a reckless attack on the BBC's independence and a serious threat to its ability to meet its public service objectives. As we detailed in our February briefing, the two-year freeze in the value of the licence fee means that by 2027 the BBC's income could be as much as 34% lower in real terms than it was in 2010 – amounting to around £1.4bn

[23] See Oliver & Ohlbaum, UK Television Production Survey: Financial Census, July 2021 p. 17.
[24] Channel 4, Annual Report, June 2020 p. 101.
[25] Oliver & Ohlbaum, Financial Census, p. 12-13.
[26] EY estimates that an in-house studio would seek to acquire as much as 66% of Channel 4 commissions, squeezing out opportunities for a huge number of independents. See EY, Assessing the impact of a change of ownership of Channel 4, September 2021 p. 22.
[27] For more detailed proposals see our response to the DCMS consultation.

in lost income per year[*28*]. This will lead inevitably to further cuts in BBC services. On top of recent reductions in local news output, the National Audit Office expects that the compounding financial pressures of rising inflation, efficiency savings and funding cuts will result in more repeat programming and fewer original high-end productions over the current financial year[*29*].

The White Paper justifies the licence fee deal as a means to “support households through a difficult time”, but this specious reasoning serves only to highlight the underlying political aims of the government’s attacks on BBC funding. An equivalent household saving of 3p a day will not make the slightest dent in alleviating the cost of living crisis, especially while the government takes no action on skyrocketing energy bills, spiralling inflation or cuts to Universal Credit[*30*]. The Secretary of State’s Commons statement made it all too clear that the funding freeze is largely politically motivated, exploiting the government’s exclusive power over the licence fee to pressure BBC management and steer its editorial direction[*31*].

Threats to the future of the TV licence fee further demonstrate the dangerous relationship between the BBC’s independence and government control over funding decisions. The White Paper confirms that the government will conduct a review of the BBC’s future funding mechanism, formalising the Culture Secretary’s jubilant comments about the potential ‘the end of the licence fee’. While the TV licence fee requires urgent reform to create a fairer and more modern funding mechanism, the introduction of subscription or advertising would destroy the principle of universal public media free from commercial pressures and lead inevitably to a smaller and more ‘exclusive’ BBC.

The mid-term Charter review “will report by 2024”, suggesting that the government has already begun evaluating the BBC’s governance and regulatory model behind closed doors. Whereas this routine ‘check-up’ was initially designed to look only at the BBC’s strategic performance against its renewed 2016 Royal Charter and Framework Agreement, a January letter from the Culture Secretary to the BBC suggests the review will now include scrutiny of its recent impartiality plan[*32*]. This, amongst many other examples, demonstrates once more that the BBC’s Royal Charter and its quasi- commercial regulation by Ofcom are both woefully unaccountable to the public and dangerously exposed to political interference. Before the terms of reference have even been set, the mid-term review has become yet another means for the government to meddle at will in the BBC’s independence and alter its constitution for political ends – all without parliamentary debate, public consultation or approval from licence fee payers.

[28] Media Reform Coalition, BBC Licence Fee Settlement Briefing, February 2022. See also Enders Analysis, BBC licence fee settlement: A diminished TV ecology, September 2021.
[29] National Audit Office, BBC savings and reform, December 2021.
[30] See Joseph Rowntree Trust, UK Poverty Guide 2022.
[31] HC Deb 17 January 2022, v. 707 c. 39-40.
[32] DCMS, Letter from Secretary of State to BBC on Final Determination of the 2022 licence fee settlement, January 2022.

Action points

Many of the proposals in the government's White Paper will require changes to primary legislation approved by parliament, while others can be implemented by Ofcom or through unaccountable executive powers.

Whereas the White Paper's vision for the future of UK broadcasting involves a diminished public service remit, more commercialised media regulation and the collapse of funding for independent, accountable and democratic media sources, we offer an alternative:

- **Update public service broadcasting legislation as a Public Service Media remit, requiring that digital and online media platforms fulfil the same public service objectives as TV and radio provision.** Expanded definitions of public service media should retain the core social and cultural requirements for serving all audiences' needs and interests, while including new requirements for serving minority audiences and supporting the creative industries in the UK's nations and regions.

- **Create a Video On-Demand Standards Code for regulating content on streaming and other online media platforms, with breaches of the Code subject to fines valued in proportion to these companies' UK revenues.** In addition to this, introduce a levy on global streaming giants' profits to invest in additional sources of public service media content made for UK audiences.

- **Increase the Community Radio Fund to £10 million (the equivalent level per station as when it was launched in 2005), establish Regional Media Councils for distributing funds to non-profit local media, and devolve local and regional media production through Citizen Media Assemblies** – building new forms of participatory commissioning and funding for public service media.

- **Oppose the privatisation of Channel 4 and reform it as an advertising-free broadcaster in public ownership.** Refocus Channel 4's remit to better serve marginalised and underrepresented groups and strengthen its publisher-broadcaster model to promote more regional productions, higher labour standards and greater SME investment.

- **Replace the television licence fee with a progressive levy determined by an independent public service media commission and replace the BBC's Royal Charter with a statutory constitution.** This would ensure that the BBC's remit and funding level are properly scrutinised by parliament and approved by the public, rather than unilaterally changed by government.

- **Require Ofcom to conduct biennial assessments of media plurality,** with new powers to intervene outside of merger activity, monitor the market share of tech giants like Google and Meta, and enforce appropriate remedies—such as public interest obligations, divestment and profit levies—when companies breach certain ownership thresholds.

- Establish a **British Digital Corporation** that develops public social media, search and other information architecture free from commercial pressures, and that leads the roll-out of affordable full fibre broadband guaranteed to all homes.

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